

BMW (UK) Limited

Corporate Governance Statement

Financial Year 1 January to 31 December 2019

This report comprises the Corporate Governance Statement for BMW (UK) Limited (“company”) required under The Companies (Miscellaneous Reporting) Regulations 2018 for the financial year 1 January 2019 to 31 December 2019 (“Financial Year”).

The company has not applied a specific corporate governance code during the Financial Year however, as a subsidiary of BMW AG, its ultimate German parent company, it operates in accordance with its parent company’s corporate governance expectations. BMW AG adopted its own corporate governance code based on the German Corporate Governance Code (“Code”) in 2002. The Code (updated in 2019) sets out how German listed companies should be organised and seeks to formulate recognised standards for good and responsible governance. The Code seeks to promote the trust of investors, customers, employees and the general public in the management and supervision of German listed companies. The Board of Directors of the company therefore manage the company in accordance BMW Group policies in relation to corporate governance, compliance and risk management.

Although the company has not adopted a UK specific corporate governance code, the company’s Board of Directors (“Board”) have considered The Wates Principles and in this statement the company has set out how the company has aligned itself to these governance principles during the Financial Year.

Purpose, Strategy and Values

The company is a premium car and motorcycle importer and distributor and its purpose and strategy is the sustainable and active management of vehicles and aftersales business through its distribution network and the automotive market.

The company’s strategy is based on BMW AG Strategy called “Strategy Number One > Next”. As part of “Strategy Number One”, the company will actively shape and define the transformation to a technology company for premium mobility and services. As a driver of innovation BMW AG and the company is playing a leading role in the automotive industry of the future. Digitalisation opens up new opportunities to take individual mobility to the next level - electric, connected and autonomous.

Strategy Number One > Next means a vision to shape tomorrow’s individual mobility with a strategic approach of leveraging innovative technologies, digitalisation and sustainability to deliver unique customer experiences and offer the best solutions to the individual customers’ mobility needs. It also means having a competitive advantage by having the most emotional products, attractive services and having a corporate culture to create the future with operational excellence. The company’s vision has been developed to provide a framework which engages employees to deliver the best outcomes for the company’s shareholders, employees and customers.

Culture

The company’s culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to the company’s business activities and an important condition for securing long term success. The company’s primary goal is to avoid risks which could jeopardize the trust which customers, shareholders, business partners and the general public place in the BMW Group. The company is focused on people, with customers being at the heart of the company’s business. The company embraces diversity, flexibility, sustainability and continuous improvement throughout the organisation. It has a customer centric philosophy with transparent, fair and simple processes. The company’s policies are designed to support the company culture with guidelines cascaded from the ultimate parent, BMW AG.

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Corporate Governance Statement (continued)

Culture (continued)

The company recognises that long term success is founded on the culture of the organisation. The aim is to be customer centric and select the best talent to ensure the longevity and success of the organisation and to be considered one of the top employers in the UK.

There are 5 core values which the whole of the BMW Group including the company adhere to and these are **Responsibility, Appreciation, Transparency, Trust and Openness.**

These five core values encompass principles of action which define the framework for cooperation within the BMW Group of companies. Based on these core values the company prides itself in an atmosphere of mutual trust and understanding. Employees are fully engaged with the business and there is a culture of openness and authenticity. The Board and senior management have taken active steps to drive cultural change and to ensure corporate strategy and customer orientation principles and values are embraced across the organisation. A brand new employee cultural identity was developed in recent years encouraging associates to be authentic, inspirational and creating an environment where people feel valued. At the heart of authenticity is the deep set of ethics, values and trust. All of these cultural and value based initiatives are reviewed by the Board of Directors of the company and the Management Committee and communicated to the business as a whole at regular business briefings.

Sustainability

Sustainability and responsibility for the environment is firmly embedded in the company's culture and corporate strategy. The company has implemented sustainability throughout its value chain. In addition to reducing CO2 emissions the strategy focuses on achieving continuous progress in areas such as environmental protection, supply chain sustainability, employee orientation and social commitment. Sustainability forms an important part of our Number One Next strategy. Our product range will include 25 models which are either plug in hybrid electric vehicles or battery electric vehicles by 2023. The company is an active participant in HM Government "Go Ultra Low" campaign.

For further details on how sustainability is managed by the BMW Group, visit www.bmwgroup.com/en/responsibility/sustainability-at-the-bmw-group.html.

Board Composition

The Board of the company consists of three statutory directors, being Graeme Grieve, the Chief Executive Officer (CEO), Michael Kreeft, the Chief Financial Officer (CFO) (both based in the UK) and Jean-Philippe Parain, the Chairman of the company based in Munich, Germany.

Committees of the Board

The company is managed by the Board, its Management Committee and seven other Committees. The Management Committee which meets every two weeks manages the company's business. The Management Committee works to:

- Ensure that customers are treated with fairness and respect and that good customer outcomes are achieved;
- Ensure compliance with laws and regulation;
- Manage company's risk;
- Ensure employee engagement and change management initiatives are designed to achieve strategic objectives;
- Promote the sustainable success of the company for the benefit of the members as a whole taking consideration of all the company's stakeholders, its corporate social responsibilities and the environment the company operates in;

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Corporate Governance Statement (continued)

Committees of the Board (continued)

- Approve strategic objectives, initiatives and long-range planning in line with our parent company, BMW AG;
- Ensure that the necessary financial and other resources are made available to ensure objectives are achieved;
- Ensure organisational and structural changes are carried out in line with strategic objectives;
- Monitor progress towards achievement of strategic objectives;
- Operate within a framework of effective systems of corporate governance and internal controls appropriate to the environment in which it operates, which enable the assessment and management of opportunities and risks.

The Board and Management Committee have delegated appropriate matters to: a Retailer Committee, Customer Committee, Risk and Compliance Committee, Sales and Marketing Committee, Product and Safety Committee, a Brexit Committee and Projects Committee, which was disbanded in December 2019 (the “Sub-Committees”). Sub-Committees act to work on detailed topics and provide appropriate challenge to the Management Committee and the Board in their areas of expertise. The CEO acts as Chairman of the Management Committee and with the support of the CFO and General Counsel, who oversee the efficient and effective operation of the company’s Board and its Committees. This includes consideration of the size and structure of the Board, Management Committee and Sub-Committees so that they are appropriate to meet the strategic needs and challenges of the organisation and enable effective decision making. Consideration is given to the balance and diversity of the Board and all its Committees. Whilst the company does not have any independent non-executive directors, the Chairman of the Board acts in a capacity largely independent of the day to day management of the company’s business. In addition the company frequently makes use of a large Corporate Audit function who audit different parts of the company’s business to ensure operation in accordance with relevant company policies and procedures and laws and regulations.

The Management Committee comprises the CEO, CFO, and the most senior managers in the areas of Aftersales, Marketing, Ireland, BMW Sales, Legal, Communications, MINI, Motorrad (Motorcycles). The effectiveness of Management Committee members and members of the Sub-Committees is measured via the company’s annual appraisal process (known as “Portfolio”) where all employees are reviewed against their objectives which include continuous professional development. Strengths and weaknesses are discussed against a backdrop of feedback from key stakeholders.

Each Committee has its own terms of reference and a formalised approach with an agenda circulated in advance, minutes taken, voting and quorum rules and escalating processes. Each Committee has a Secretary who ensures the timely distribution of materials prior to meetings and works to ensure the accuracy of documents submitted to the Committees for consideration and approval. The Chairperson of a Committee reports key matters to the Management Committee who also reviews minutes of all sub-committees’ minutes.

Opportunity and Risk

Opportunity

The Board considers and assesses how the company creates and preserves value over the long term by assessment of opportunities presented by the changes in consumer behaviours, regulation, buying patterns, opportunities and challenges presented by new technologies introduced in our product offering, such as battery electric vehicles and plug in hybrid vehicles.

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Corporate Governance Statement (continued)

Risk

The company has an internal control system which follows a BMW Group Internal Control system methodology (“ICS”) to ensure it has appropriate and effective internal controls integrated and applied in its processes so as to maintain correct and reliable financial and accounting records and to comply with legal requirements. The CFO is responsible for ensuring the operation of the ICS including, but not limited to, ICS training, control measures, key control indicators, management reporting and roles and authorisation concepts.

The company has a Risk function which focuses on managing day-to-day risks impacting the business and is responsible for defining risk management methodology. Risks are monitored and managed at an operational level through the Risk and Compliance Committee. There are clear roles and responsibilities within this Risk management system set out in the company’s Risk Management Policy.

The company’s policies are determined by its Management Committee and drafted by or under the supervision of the Management Committee member with responsibility for the area covered by the policy. All policies are approved by Risk and Compliance Committee.

The BMW Group operates a four eye principle throughout the Group. Under this requirement all documents with binding content must be reviewed and signed by two signatories with appropriate levels of authority to bind the relevant company delegated to them by the board of that company.

Remuneration

It is a stated aim of the company to reinforce the connection between performance and reward and this makes the merit principle a fundamental value in our corporate culture. Remuneration is intended to promote the personal performance of every employee including members of the Board and its Committees. Market benchmarking data is used every year and determines the salary ranges for different roles.

Further details on how the company remunerate its workforce are contained in the Employee Engagement Statement in the Directors Report.

Stakeholder relationship and engagement

The company works closely with our stakeholders including our franchised retailer network, retail and corporate customers, fleet businesses, our suppliers, regulators, Government and trade bodies; the local community; charities and more particularly our workforce. The company recognises that the fair treatment of all our stakeholders is central to our strategy and the continuing success of its business.

Further details on how the company engages with its workforce are contained in the Employee Engagement Statement in the Directors Report and with regard to its other stakeholders in the Stakeholder Statement in the Directors Report.